

NOTICE TO BORROWER:  
THIS DOCUMENT CONTAINS PROVISIONS RESTRICTING ASSUMPTIONS

**PROMISSORY NOTE**

**Property Address:** \_\_\_\_\_

\$ \_\_\_\_\_, 20 \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_  
\_\_\_\_\_ (“Borrower”) promise(s) to pay to \_\_\_\_\_  
\_\_\_\_\_ (together with its successors in interest herein referred to as “Lender” or  
“Holder”), the principal sum of \_\_\_\_\_  
Dollars (\$ \_\_\_\_\_), with interest on the unpaid principal balance from the date of this Promissory Note  
(“Note”) until paid, at the rate of \_\_\_\_\_ percent ( \_\_\_\_\_ %) per annum.  
Principal and interest shall be payable at the principal office of the holder hereof \_\_\_\_\_  
\_\_\_\_\_, or such other place as such holder may designate. Principal  
and interest shall be payable in consecutive monthly installments of \$ \_\_\_\_\_, on the first day of each  
month beginning \_\_\_\_\_. Such monthly installments shall continue until the entire indebtedness  
evidenced by this note is fully paid, except that any remaining indebtedness, if not sooner paid, shall be due and  
payable on \_\_\_\_\_, 20 \_\_\_\_\_.

This Note evidences funds loaned to Borrower to finance the acquisition of certain real property and improvements thereon (“Property”) described in that Deed of Trust securing this indebtedness, dated of even date herewith (“Deed of Trust”).

Borrower understands that the interest rate on this Note is a below market interest rate because Lender intends to transfer the loan evidenced by this Note to the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California (“Agency”). The Agency will finance the acquisition of said loan and this Note with funds from the sale of tax exempt municipal securities. Accordingly the terms of this Note are subject to the applicable requirements of the Internal Revenue Code Sections (“Tax Code”).

Borrower further understands that the Agency and the Tax Code require that borrowers of funds originated by the sale of said tax exempt municipal securities, and the property securing said loans, meet certain specific criteria, including, but not limited to, intent to occupy the Property as his/her principal place of residence during the term of this Note. Borrower acknowledges that Lender has explained the requirements of the Tax Code and the requirements of the Agency, and that the Borrower has made certain representations regarding the Borrower’s, and the Property’s, compliance therewith. Borrower covenants that said representations were and are true and correct. UPON DISCOVERY BY LENDER OR THE AGENCY OF ANY MISSTATEMENT MADE BY BORROWER PURSUANT TO SAID REPRESENTATIONS, BORROWER MAY BE SUBJECT TO THE FOLLOWING ACTIONS:

- (A) Acceleration of the indebtedness and the exercise of the power of sale as stated in paragraph 22 of the Deed of Trust; or
- (B) Adjustment of the interest rate payable on the unpaid principal balance to the highest rate permitted by law. Such interest rate adjustment will be effective immediately upon written notice by certified mail to Borrower.

Borrower shall pay to the Note holder a late charge of five percent (5%) of any monthly installment not received by the Note holder within fifteen (15) days after the installment is due. Should a default be made in payment of any installment when due, or in the performance of any of the agreements contained in the Deed of Trust securing this Note, the whole sum of principal and interest then outstanding shall become immediately due and payable at Holder’s option. Failure by Holder to exercise this option shall not constitute a waiver of the right to exercise it in the event of any subsequent default.

If any monthly installment under this Note is not paid when due and remains unpaid after a date specified by a notice to Borrower, the entire principal amount outstanding and accrued interest thereon will immediately become due and payable at the option of the Holder. The date specified will be not less than thirty (30) days from the date such notice is mailed. The Holder may exercise this option to accelerate during any default by Borrower regardless of any prior forbearance. If a judicial or non-judicial action is brought to collect on this Note, the Borrower agrees to pay all reasonable costs and expenses of such actions or costs of collection, including, but not limited to, any trustees fees and reasonable attorney's fees.

Borrower may prepay, without penalty, the amounts owed under this Note in whole or in part. Any partial prepayment will be first applied to fund required impounds and against accumulated interest, and then against the principal amount outstanding. No prepayment will postpone the due date of any subsequent monthly installment or change the amount of such installment, unless the Note holder otherwise agrees in writing.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

Any notice to Borrower provided for in this Note will be given by mailing such notice by certified mail addressed to Borrower at the Property Address stated above, or at such other address as Borrower may designate by notice to Note holder. Any notice to the Note holder will be given by mailing such notice by certified mail, return receipt requested, to the Note holder at the address stated on the first page of this Note, or at such other address as may have been designated by notice to Borrower.

Incorporation by reference is made of all provisions of the Deed of Trust regarding rights, including but not limited to, the right of acceleration upon prohibited transfer of said Property, set forth and defined in Section 21 of said Deed of Trust which provides as follows:

**21. *Transfer of Property; Assumptions.* THE PROPERTY WILL NOT BE TRANSFERABLE WITHOUT THE WRITTEN APPROVAL OF THE AGENCY.**

"Transfer" means any sale, assignment or transfer, voluntary or involuntary, or by operation of Law, of any interest in the Property, including but not limited to a fee simple interest, a joint tenancy interest, a life estate, leasehold interest, or an interest evidenced by a land contract by which possession of the Property is transferred and Borrower retains title, whether or not any such transfer is made subject to this Deed of Trust. Any such transfer without the Agency's written approval shall be a "Prohibited Transfer", and if Borrower fails to cure the Prohibited Transfer, the Agency shall have all rights and remedies permitted by the Deed of Trust or California law, including but not limited to, the exercise of the power of sale as described in the Deed of Trust.

The Agency's approval will not be given unless Borrower's successor(s) in interest ("Purchaser") meets all of the following conditions:

- (a) Purchaser occupies the residence at the Property address as Purchaser's principal place of residence within sixty (60) days after the date of transfer and continues to so occupy the Property until the Note is paid in full or Purchaser properly transfers to a successor in interest meeting all of the requirements of the Tax Code, and requirements of the Agency;
- (b) Purchaser has not had an ownership interest in a principal residence at any time during the three years preceding the date of transfer unless at the time of transfer the Agency gives written approval that the Property is in a "Targeted Area" or this Deed of Trust indicates that Property was in a "Targeted Area" at the time of recording this Deed of Trust;
- (c) Purchaser has a household income within the income limits as established at the time of this transfer;

- (d) Purchaser has purchased the Property at a purchase price within the price limits established;
- (e) Purchaser's indebtedness is eligible for mortgage guaranty insurance covering a loss of up to fifty percent (50%) of the outstanding principal amount of the Note, issued by an insurer licensed to do business in the State of California, and approved by the Agency;
- (f) Purchaser meets all other conditions applicable to the Agency's financing in effect at the time of transfer including, but not limited to, the Agency's loan underwriting standards; and
- (g) Purchaser meets the conditions of the Tax Code and regulations thereunder, both as amended from time to time.
- (h) Purchaser meets the conditions of the Agency's citizenship and alien verification regulations as set forth in Title 25 of the California Code of Regulations, Division Z, Chapter 3 (Sections 12001, *et seq.*) which implement federal legislation known as Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Pub. L. No. 104-193, 8 U.S.C. Section 1601, *et seq.*).

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